

INDIVIDUAL ENTITY AUDIT REPORT

**IDAHO DIVISION OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND**

For the Fiscal Years Ended June 30, 1998 and 1999



*Agency 270/Report 9110*

*Presentation by the*

***LEGISLATIVE SERVICES OFFICE***

*SERVING IDAHO'S*

*CITIZEN LEGISLATURE*

## **LEGISLATIVE SERVICES' MISSION STATEMENT**

The mission of the Legislative Services Office is to provide efficient, nonpartisan support services to Idaho's citizen legislators, to carry out legislative policies so as to strengthen the legislature's management as a separate branch of government and to assist the legislature in carrying out its constitutional responsibilities to the highest standards of integrity and professional excellence. (Approved by the Legislative Council, January 20, 1994.)

## **LEGISLATIVE AUDITS' CHARGE**

Legislative Audits, a division of Legislative Services, is charged by the Legislative Council to provide a financial audit of the statewide annual financial report prepared by the State Controller, as required by Idaho Code § 67-429. In addition to special reports and requested studies, Legislative Audits produces three types of audit reports and two types of management reports (described below) for the Joint Finance-Appropriation Committee and other interested parties. These audits, reports, and studies, which vary in scope, provide information for oversight of State finances for the legislature, government entities, and the public, as well as satisfying federal audit requirements.

### **DESCRIPTION**

### **LEVEL OF SCRUTINY**

#### ***COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)***

Our opinion as to the fairness of presentation of the annual statewide financial statements; a reference to our report on our consideration of the State's internal control over financial reporting and our tests of its compliance with certain laws, regulations, contracts, and grants issued under separate cover in the State's *Single Audit*.

#### ***STATEWIDE SINGLE AUDIT REPORT***

Our opinion on the schedule of federal award expenditures in relation to the general-purpose financial statements taken as a whole; a report on compliance and internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; a report on compliance with requirements applicable to each major program, and on internal control over compliance in accordance with *OMB Circular A-133 (Audits of States, Local Governments, and Non-Profit Organizations)*; recommendations to improve the State's financial/accounting system; and recommendations and questioned costs related to federal awards. In addition, the report includes the State's general-purpose financial statements and the related opinion thereon.

#### ***INDIVIDUAL ENTITY AUDIT REPORT***

Our opinion on the fairness of presentation of the entity's financial statements; a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with Government Auditing Standards; if applicable, a report on compliance with requirements of each major program, and on internal control over compliance in accordance with *OMB Circular A-133*.

#### ***MANAGEMENT REPORT ON FINANCIAL PROCEDURES***

A report based on specific procedures applied to the financial segments material to the statewide financial statement and an internal control review of those financial segments not deemed material to the statewide financial statements, or an audit of a major federal grant. Findings and recommendations are included, if applicable, to improve policies, procedures, compliance, controls, and the entity's overall efficiency.

#### ***MANAGEMENT REPORT ON INTERNAL CONTROL***

A cyclical report highlighting the entity's internal control with findings and recommendations, if applicable, to improve the system to prevent errors, omissions, misrepresentations, oversights, and fraud, thus protecting State resources.

# FOREWORD

---

## PURPOSE OF AUDIT

Our fiscal/compliance audit of the Idaho Division of Environmental Quality Clean Water State Revolving Fund was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the system of internal control in order to issue an opinion on the fairness of the accrual statements.
2. The degree of compliance with various State and federal requirements affecting the fiscal operations of the Fund.
3. The degree of compliance with the federal requirements attached to funds received from the U.S. Environmental Protection Agency.
4. The areas in the fiscal operations which could be improved in order to make recommendations for improvements.

## SCOPE OF AUDIT

We examined the fiscal operations of the Clean Water State Revolving Fund for the fiscal years ended June 30, 1998 and 1999.

The audit was made in accordance with generally accepted auditing standards, the U.S. Environmental Protection Agency's *Clean Water State Revolving Fund Audit Guide*, and the fiscal/compliance section of the *Government Auditing Standards* published by the U.S. General Accounting Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed Fund personnel.

## AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature as authorized by Idaho Code § 67-429.

## ASSIGNED STAFF

Anne Chmielowiec, CPA, CGFM, Staff Auditor

## ADMINISTRATION AND TECHNICAL REVIEW

Larry Kirk, CPA, Supervisor, Legislative Audits  
Charles Lindeen, CPA, CFE, Managing Auditor

## GRAPHIC LOGISTICS

Rande Trueax

# TABLE OF CONTENTS

---

Executive Summary .....	1
Agency Response .....	4
Findings and Recommendations .....	5
Independent Auditor's Report .....	9
Exhibit A – Balance Sheet .....	11
Exhibit B – Statement of Revenues, Expenses, and Changes in Fund Balance .....	12
Exhibit C – Statement of Cash Flows .....	13
Notes to Financial Statements .....	14
Independent Auditor's Report on Compliance and Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards .....	22
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with <i>OMB</i> <i>Circular A-133</i> .....	24
Supplemental Information .....	26
Appendix .....	30



## ***EXECUTIVE SUMMARY LEGISLATIVE AUDITS***

---

### **IDAHO DIVISION OF ENVIRONMENTAL QUALITY CLEAN WATER STATE REVOLVING FUND**

---

**PURPOSE AND SCOPE** – We have audited the financial statements of the Idaho Division of Environmental Quality's Clean Water State Revolving Fund (the Fund) for the fiscal years ended June 30, 1998 and 1999, in accordance with generally accepted government auditing standards. Financing of the Fund comes from grants from the U.S. Environmental Protection Agency (EPA) and corresponding State match. The Fund is used to provide loans to municipalities at reduced rates to finance the construction of publicly owned wastewater pollution control facilities. The EPA requires a separate annual financial and compliance audit of the Fund. The purpose of our audit is to determine if the Fund's financial statements are materially accurate and reliable, and that the Fund complied with laws and regulations affecting fiscal operations.

**CONCLUSION** – Although we have a finding reported below, we conclude that the Fund's financial statements are materially accurate and reliable, and that fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Fund's financial statements.

**FINDINGS AND RECOMMENDATIONS** – Although the Fund is governed by both federal and State guidelines, DEQ has flexibility in regard to contract terms. As a result, once the standard contract is prepared, conditions change and waivers and exceptions are granted. However, these items are not well-documented, especially in individual loan files. For example, interest is waived during construction for projects that also receive a State supplemental grant. The standard contract is not amended and the approved waiver is not documented in the loan file. Similarly, there is no policy regarding early or late payments, and principle and interest is credited as if the payment was made on time. We recommend that waivers and changes in contracts be documented in the loan file.

**AGENCY RESPONSE** – The DEQ management has reviewed the report and accepts its findings.

**FINANCIAL SUMMARY** – The financial statements of the Fund are summarized below:

**Clean Water State Revolving Fund – Balance Sheet**

<b>ASSETS</b>		
	<b>June 30, 1998</b>	<b>June 30, 1999</b>
<u>Current Assets</u>		
Cash	\$8,976,211	\$33,304,670
Loans Receivable	1,122,544	1,250,139
Interest Receivable – Loans	913,745	432,426
Other Receivables	44,057	142,280
Total Current Assets	<u>\$11,056,557</u>	<u>\$35,129,515</u>
<u>Long Term Assets</u>		
Loans Receivable	\$51,776,547	\$39,356,378
Interest Receivable – Loans	894,860	0
Equipment (cost \$14,553 – 100% depreciated)	0	0
Total Long Term Assets	<u>\$52,671,407</u>	<u>\$39,356,378</u>
<b>TOTAL ASSETS</b>	<u><b>\$63,727,964</b></u>	<u><b>\$74,485,893</b></u>
<b>LIABILITIES AND FUND EQUITY</b>		
<u>Current Liabilities</u>		
Miscellaneous Payables	\$10,734	\$17,329
Due to Cooperative – DEQ Fund	5,849	98,768
Total Current Liabilities	<u>\$16,583</u>	<u>\$116,097</u>
<u>Fund Equity</u>		
Contributions from EPA	\$48,756,590	\$56,578,286
Contributions from State	9,751,316	11,315,656
Retained Earnings	5,203,475	6,475,854
Total Fund Equity	<u>\$63,711,381</u>	<u>\$74,369,796</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><b>\$63,727,964</b></u>	<u><b>\$74,485,893</b></u>

**Clean Water State Revolving Fund – Income Statement**

	<b>FY 98</b>	<b>FY 99</b>
<u>Revenues</u>		
Interest Earned – Loans	\$1,821,229	\$1,454,679
Interest Earned – Fund Balance	428,284	880,190
Total Revenues	<u>\$2,249,513</u>	<u>\$2,334,869</u>
<u>Expenses</u>		
Personnel Costs	\$162,649	\$195,498
Indirect Expenses	75,611	94,317
Other Expenses	7,125	10,264
Total Expenses	<u>\$245,385</u>	<u>\$300,079</u>
Excess of Revenues over Expenses	\$2,004,128	\$2,034,790
Reduction of Capitalized Interest for Early Repayment of Loan*	0	(762,411)
Net Revenue	<u><b>\$2,004,128</b></u>	<u><b>\$1,272,379</b></u>

\*Interest earnings of \$762,411 were forgiven due to a \$21,635,000 early repayment of the Fund's largest loan.

**OTHER ISSUES** – We discussed other issues of lesser importance which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the Idaho Division of Environmental Quality, the U.S. Environmental Protection Agency, and the Idaho Legislature, and is not intended to be, and should not be, used by anyone other than these specified parties.

We thank the Administrator, C. Stephen Allred, and his staff for their assistance and cooperation given to us during this audit.

**QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:**

Larry Kirk, CPA, Supervisor, Legislative Audits

Charles Lindeen, CPA, CFE, Managing Auditor

# AGENCY RESPONSE

---



THE LETTER FROM THE AGENCY IS NOT INCLUDED WITHIN THIS DOCUMENT, AS IT IS SIMPLY SENT ON STATIONERY TO BE INCLUDED IN THE HARDCOPY OF THE REPORT.

# FINDINGS AND RECOMMENDATIONS

---

## FINDING #1

Policies and procedures need formalizing and contract files need additional documentation.

The U.S. Environmental Protection Agency (EPA) provides the states with broad authority to award Clean Water loans. Further, the State of Idaho has legislation authorizing the loan program and providing a framework for administering the loan program.

In order to ensure success of the program, both the EPA and the State provide flexibility to the program. For example, interest charged can be as little as 0%. However, certain requirements are in place, such as: loan repayments must start no later than one year from project completion, repayment terms must be applied to individual phases or segments of a project, and loans must be repaid within 20 years.

To ensure that both federal and State requirements are met, DEQ has developed a standard contract, although in certain situations, DEQ grants waivers by either obtaining permission from the EPA or making exceptions to State or DEQ requirements.

For example, interest is waived in the following ways. Standard contracts require interest to accrue from the date of the first loan disbursement. This provision has been waived when the State provides a supplemental grant for the project. This makes sense; if the State grant is used to make interest payments, why not waive the interest as permitted and reduce the State grant.

Similarly, once construction is complete, a repayment schedule is prepared and the loan recipient arranges their loan collateral. Recognizing that delays occur, verbal authorization is received from EPA to use the collateral security date as the date of project completion to determine when one year has elapsed and the first payment is due. Interest is waived during the period between construction completion and project completion.

All projects must have a completion schedule, although for various reasons, these schedules are not always adhered to. As a result, some projects have virtually come to a stop and with zero interest loans, there is no return on the loan.

Finally, some loan recipients have more than one project in process. DEQ allows these recipients to consolidate the separate projects at the lowest interest rate of the loans, causing a delay in the start of repayment.

All of these exceptions occur for a reason, fall within the program's broad authority, and are authorized by State program officials. However, the authorization or policy allowing the changes is often not well documented.

Further, the contract files are not updated when these changes occur. As a result, one cannot value the loan from reviewing the contract file.

#### **RECOMMENDATION #1**

*We recommend that all waivers and changes in contracts be documented in the contract file. Further, guidelines should be documented so that all projects are treated consistently. For example, documented guidelines should be established for:*

- *interest calculation for projects receiving a State supplemental grant;*
- *interest calculation for the period between construction completion and project completion; and*
- *consolidation of loans in regard to interest rates and phases or segments of a project.*

#### **AGENCY RESPONSE**

The auditor recommends that all waivers and changes in contracts be documented in the contract file. DEQ intends to do a better job of documenting changes to standard contract terms. We intend to implement the specific recommendations of the auditor.

In the second sentence of the recommendation, the auditor states, "Further, guidelines should be documented so that all projects are treated consistently."

Congress intended each State to design their SRF to be flexible as evidenced by the following passage taken from the EPA website ([www.epa.gov/owm/finan.htm](http://www.epa.gov/owm/finan.htm)): "The (Clean Water) SRF is a far more flexible program than its predecessor, the Construction Grants program. Under the SRF, States have a wide variety of options: States may choose from a variety of assistance options, including loan, refinancing, purchasing, or guaranteeing local debt, and purchasing bond insurance. States also set loans terms, including interest rates (from zero percent to market rate), repayment periods (up to twenty Years), and many other loan features. SRFs are also available to fund a wide variety of water quality projects including all

types of nonpoint source and estuary management projects, as well as more traditional municipal wastewater treatment projects. States may also customize loan terms to meet the needs of small and disadvantaged communities."

The CWSRF program's primary purpose is to promote water quality by providing a permanent financial institution, not strict obedience of banking practices and procedures. The last sentence of the preceding paragraph suggests that Congress and the EPA recognized that many of the projects remaining from more than 30 years of the Construction Grants program that had not been served were small and disadvantaged communities.

Congress intended to allow flexibility to the States in deciding when to charge interest and when to forgive accrued interest while protecting the environment. Being flexible means having the ability to adapt to changing and unforeseeable conditions. Consistency may contradict flexibility. Too many consistent applications of too many well-intentioned rules will preclude the small and disadvantaged communities from the program.

The auditor mentions that the loan cannot be valued from the contract file. But regardless of the project schedule being missed or a waiver not documented, we believe the loan portfolio can still be properly valued, by using a total portfolio approach. The Idaho CWSRF has never experienced a loan default in ten years of operations. Every dollar the CWSRF has disbursed is on pace to be repaid.

**CORRECTIVE ACTION PLAN:**

With respect to the specific bullet items found in Recommendation #1, the auditor requests documented guidelines be established for each of the following:

**Item #1: Interest calculation for projects receiving a State supplemental grant.**

We propose to include in the rules for administration of the CWSRF program the following: For projects receiving a State Supplemental Wastewater Grant, no interest will be charged to the CWSRF loan during the construction phase.

**Item #2: Interest calculation for the period between construction completion and project completion.**

We propose to develop standardized criteria in developing policy for treatment of the interest during the construction phase. These criteria will be reviewed by the Legislative Auditor prior to implementation.

**Item #3: Consolidation of loans in regard to interest rates and phases or segments of a project.**

**We propose to include in the rules for administration of the CWSRF program the following: For project consolidations, the loan recipient will receive the lowest interest rate of those loans consolidated.**

**CONTACT PERSON**

William Hart  
Idaho Division of Environmental Quality  
Clean Water State Revolving Fund  
208-373-0225





# Legislative Services Office Idaho State Legislature

---

**Carl F. Bianchi**  
Director

State Capitol  
P.O. Box 83720  
Boise, ID 83720-0054  
208/334-2475; Fax 334-2125

January 14, 2000

Unqualified Opinion on  
Financial Statements

## Independent Auditor's Report

C. Stephen Allred, Administrator  
Idaho Division of Environmental Quality  
Statehouse Mail

We have audited the accompanying balance sheet (Exhibit A) of the Idaho Clean Water State Revolving Fund as of June 30, 1998 and 1999, and the related statements of revenues, expenses, and changes in fund balance and cash flows (Exhibits B and C) for the years then ended. These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note #2 (page 15), these statements were prepared following guidelines and note disclosures prescribed by the Environmental Protection Agency. These guidelines follow generally accepted accounting principles, except that certain note disclosures are not required.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Idaho Clean Water State Revolving Fund, as of June 30, 1998 and 1999, and the results of its operations and its cash flows for the years then ended in conformity with guidelines issued by the Environmental Protection Agency described above and in Note #2.

Research & Legislation  
Mike Nugent, Supervisor  
208/334-2475; Fax 334-2125

Budget & Policy Analysis  
Jeff Youtz, Supervisor  
208/334-3531; Fax 334-2668

Legislative Audits  
Larry Kirk, Supervisor  
208/334-3540; Fax 334-2125

---

## Serving Idaho's Citizen Legislature

As discussed in Note #1 to the financial statements (page 14), the financial statements referred to above are intended to present the financial position and result of operations of the Idaho Clean Water State Revolving Fund, a component of the State of Idaho. These statements are not intended to present the financial position or results of operations for the Idaho Division of Environmental Quality, of which the Idaho Clean Water State Revolving Fund is a part.

In accordance with generally accepted auditing standards, we have also audited the Fund's supplemental program basis balance sheet, as of June 30, 1998 and 1999. As described in Note #8 (page 20) and the Supplemental Information, the supplemental program basis balance sheet has been prepared by management to present relevant financial information that is not provided by the basic balance sheet and is not intended to be a presentation in conformity with generally accepted accounting principles. Financial information included relates to assets, liabilities, and contributed capital for loan commitments. The supplemental program basis balance sheet does not purport to present the financial position of the Fund as a whole. Furthermore, amounts ultimately realized as contributed capital and disbursed as loans by the Fund from State and federal sources may vary significantly from the program basis amounts presented. In our opinion, the supplemental program basis balance sheet presents fairly, in all material respects, the information set forth therein as described in Note #8 and the Supplemental Information.

In accordance with *Government Auditing Standards*, we have also issued our reports dated January 14, 2000, on our consideration of the Idaho Clean Water State Revolving Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Very truly yours,

Larry R. Kirk, CPA  
Supervisor, Legislative Audits



**STATE OF IDAHO - DIVISION OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND  
BALANCE SHEET  
AT JUNE 30, 1998 AND 1999**

EXHIBIT A

**ASSETS**

	<b><u>June 30, 1998</u></b>	<b><u>June 30, 1999</u></b>
<b><u>Current Assets</u></b>		
Cash	\$8,976,211	\$33,304,670
Interest Receivable - Fund Balance	44,057	142,280
Interest Receivable - Loans	913,745	432,426
Loans Receivable	1,122,544	1,250,139
Total Current Assets	<u>\$11,056,557</u>	<u>\$35,129,515</u>
<b><u>Long Term Assets</u></b>		
Interest Receivable - Loans	\$894,860	\$0
Loans Receivable	51,776,547	39,356,378
Equipment	14,553	14,553
Accumulated Depreciation	(14,553)	(14,553)
Total Long Term Assets	<u>\$52,671,407</u>	<u>\$39,356,378</u>
 TOTAL ASSETS	 <u><u>\$63,727,964</u></u>	 <u><u>\$74,485,893</u></u>

**LIABILITIES AND FUND EQUITY**

**Current Liabilities**

Accounts Payable	\$57	\$182
Payroll Payable	7,263	11,570
Indirect Payable	3,414	5,577
Due to Cooperative - DEQ Fund	5,849	98,768
Total Current Liabilities	<u>\$16,583</u>	<u>\$116,097</u>

**Fund Equity**

Contributions from EPA	\$48,756,590	\$56,578,286
Contributions from State	9,751,316	11,315,656
Retained Earnings	5,203,475	6,475,854
Total Fund Equity	<u>\$63,711,381</u>	<u>\$74,369,796</u>
 TOTAL LIABILITIES AND FUND EQUITY	 <u><u>\$63,727,964</u></u>	 <u><u>\$74,485,893</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF IDAHO - DIVISION OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1999**

EXHIBIT B

	<b>FY 98</b>	<b>FY 99</b>
<b><u>Revenues</u></b>		
Interest Earned - Loans	\$1,821,229	\$1,454,679
Interest Earned - Fund Balance	428,284	880,190
Total Revenue	<u>\$2,249,513</u>	<u>\$2,334,869</u>
<b><u>Expenses</u></b>		
Program Administration:		
Personnel	\$162,649	\$195,498
Indirect Expense	75,611	94,317
Travel	3,104	4,015
Operating Expense	3,977	6,249
Depreciation Expense	44	0
Total Expenses	<u>\$245,385</u>	<u>\$300,079</u>
Excess of Revenues over Expenses before Infrequent Item	\$2,004,128	\$2,034,790
Reduction of Capitalized Interest for Early Repayment of Loan	<u>0</u>	<u>(762,411)</u>
Net Revenue	\$2,004,128	\$1,272,379
Retained Earnings at Beginning of Year	<u>3,199,347</u>	<u>5,203,475</u>
Retained Earnings at End of Year	<u><u>\$5,203,475</u></u>	<u><u>\$6,475,854</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF IDAHO - DIVISION OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND  
STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 1998 AND 1999**

EXHIBIT C

	<b><u>FY 98</u></b>	<b><u>FY 99</u></b>
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>		
Loan Cash Flows:		
Cash Received - Loan Interest Repayments	\$945,993	\$861,530
Cash Received - Loan Principal Repayments	1,070,646	22,684,962
Loan Disbursements to Communities	<u>(6,929,533)</u>	<u>(9,185,470)</u>
Subtotal Loan Cash Flows	<u>(\$4,912,894)</u>	<u>\$14,361,022</u>
Other Operating Cash Flows:		
Cash Payments - Administrative Expenses	(\$246,581)	(\$293,486)
Cash Provided (Used) - Increase/(Decrease) in Amount Due to Cooperative - DEQ Fund	<u>(33,058)</u>	<u>92,919</u>
Subtotal Other Cash Flows	<u>(\$279,639)</u>	<u>(\$200,567)</u>
<b>Net Cash from (for) Operating Activities</b>	<b><u>(\$5,192,533)</u></b>	<b><u>\$14,160,455</u></b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>		
Cash Received from EPA	\$6,007,642	\$7,821,696
Cash Received from State Match	<u>1,201,530</u>	<u>1,564,340</u>
<b>Net Cash Provided by Non-Capital Financing Activities</b>	<b><u>\$7,209,172</u></b>	<b><u>\$9,386,036</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>		
Cash Received - Interest on Fund Balance	<u>\$406,296</u>	<u>\$781,968</u>
<b>Net Cash Provided by Investing Activities</b>	<b><u>\$406,296</u></b>	<b><u>\$781,968</u></b>
Net Increase/(Decrease) in Cash	\$2,422,935	\$24,328,459
Cash Balance - Beginning of Year	<u>6,553,276</u>	<u>8,976,211</u>
Cash Balance - End of Year	<u><u>\$8,976,211</u></u>	<u><u>\$33,304,670</u></u>

**RECONCILIATION OF INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES FOR THE  
YEAR ENDED JUNE 30, 1999**

Net Revenue		\$1,272,379
Adjustments to Reconcile Income to Net Cash Provided by Operating Activities:		
Interest Earned - Fund Balance	(\$880,190)	
Change in assets and liabilities:		
Decrease in Interest Receivable Loans	1,376,179	
Decrease in Loans Receivable	12,292,574	
Increase in Accounts Payable	124	
Increase in Payroll Payable	4,307	
Increase in Indirect Payable	2,163	
Increase in Due to Cooperative - DEQ Fund	<u>92,919</u>	
Total Adjustments		<u>\$12,888,076</u>
Net Cash Provided (Used) by Operating Activities		<u><u>\$14,160,455</u></u>

The accompanying notes are an integral part of these financial statements.

# NOTES TO FINANCIAL STATEMENTS

---

## NOTE #1 –

### *ORGANIZATION OF THE FUND*

The Idaho Clean Water State Revolving Fund (the Fund) was established pursuant to Title VI of the Federal Water Quality Act of 1987 (the Act). The Act established the Fund to replace the construction grants program to provide loans at reduced interest rates in order to finance the construction of publicly owned water pollution control facilities. Instead of making grants to communities that pay for a portion of building wastewater treatment facilities, the Fund provides a flexible financing source that can be used for a variety of pollution-control projects. Loans made by the Fund must be repaid within 20 years, and all repayments, including interest and principal, must be returned to the Fund. The monies of the Fund are to be used for eligible purposes in perpetuity.

The Fund is in the process of being capitalized by the U.S. Environmental Protection Agency (EPA) through a series of grants beginning in 1989. States are required to provide an additional 20 percent of the Federal capitalization grant as matching funds in order to receive a grant. As of June 30, 1999, Congress authorized the EPA to award \$76,500,000 in capitalization grants to Idaho. The State is required to contribute \$15,300,000 in matching funds.

The Fund is administered by the Idaho Division of Environmental Quality (DEQ). The Fund does not have any full time employees. Instead, DEQ charges the Fund for time spent on Fund activities by DEQ employees, and the Fund reimburses the Idaho Cooperative Welfare DEQ Fund for such costs. The charges include the salaries and benefits of the employees, as well as indirect costs allocated to the Fund based on direct salary costs. Employees charging time to the Fund are covered by the benefits of the State. The Fund is also charged indirect costs of the State through the cost allocation plan for general State expenses.

The Fund is included in the State's general-purpose financial statements as a Special Revenue Fund using the modified accrual basis. Because of the different presentation, there may be

**NOTE #2 –**

***SUMMARY OF  
SIGNIFICANT  
ACCOUNTING POLICIES***

discrepancies between the amounts reported in these financial statements and the general-purpose financial statements.

**Basis of Accounting**

The Fund presents its financial statements as a non-expendable trust fund. The State's central accounting system records transactions on a cash basis of accounting. The Fund's financial records have been converted as necessary to the accrual basis. The accrual basis of accounting requires recording revenues when earned, and expenses when liabilities are incurred.

**Cash and Cash Equivalents**

Pursuant to Idaho Code, all cash in the Fund is deposited within the State Treasurer's Office for investment by the State Treasurer. Therefore, management of the Fund does not have any control over investment of excess cash, and these financial statements consider all funds deposited with the Treasurer to be cash or cash equivalents, regardless of the actual maturities of the underlying investments. The Fund receives interest earnings monthly from the State Treasurer's Office. This is the source of revenue entitled "Interest Earned Fund Balance."

Idaho Code requires that all cash in the Fund be perpetually appropriated for program purposes.

**Fixed Assets**

Fixed assets are generally defined as land, land improvements, buildings, fixtures, equipment, and property under construction. The only fixed assets of the Fund are equipment, such as computers.

The Fund's asset capitalization policy is in accordance with the *U.S. Office of Management and Budget Circular A-87, Cost Principles for State, Local, and Indian Tribal Governments*. Assets having a useful life of more than one year and an acquisition cost of \$5,000 or more, are capitalized. Depreciation is computed using the straight-line method over the assets' estimated useful life. No fixed assets were bought or sold during the audit period.

### **Loans Receivable and Interest Capitalization**

Loan funds are disbursed to the local agencies as they incur costs for the purposes of the loan and request loan disbursements from the Fund. Typically, interest is calculated from the date that loan funds are paid. After final disbursement has been made, the payment schedule identified in the loan agreement is adjusted for the actual amounts disbursed and interest accrued during the project period. At the loan closing, the loan recipient is given the opportunity to pay off any accrued interest during the construction phase or to capitalize the interest into the loan principal, subject to the available debt capacity of the loan recipient as stated in the loan award.

Management considers all loans to be fully collectible, therefore, no allowance for uncollectible accounts is made.

### **Indirect Costs – Specific Fund Liabilities**

Certain liabilities, such as compensated absences, pension plan obligations, and commitments under non-capitalized (operating) leases, are obligations of the entire DEQ and the Fund receives an allocation of these costs, either through direct expenses incurred or through the application of a negotiated indirect rate.

As stated in Note #1, the Fund does not have any full-time employees. Instead, DEQ charges the Fund for specific labor costs spent directly on Fund activities by DEQ employees. Therefore, for the year ended June 30, 1999, the Fund does not have separate, specific liabilities for compensated absences, pension plan obligations, or commitments under non-capitalized (operating) leases, nor does it have any encumbrances.

### **Note Disclosures**

The guidelines set forth by EPA do not require some of the disclosures required by GAAP; however, all note disclosures required by GAAP are included in the State's *Comprehensive Annual Financial Report* (CAFR). The Fund is included as part of the CAFR, which can be obtained from the State Controller's Office, 700 West State Street, Boise, Idaho 83720.

### **Contributed Capital**

In accordance with generally accepted accounting principles, only funds actually received from the EPA and the State for the capitalization of the Fund are recorded as contributed capital.

**NOTE #3 –**

***CASH AND CASH  
EQUIVALENTS***

**State Match**

Under Idaho Code, the State match is perpetually appropriated from the Water Pollution Control Fund. The State is only required to deposit a cash match into the Fund when an actual cash draw from the EPA is made.

All cash in the Fund is deposited with the Office of the State Treasurer. The State Treasurer is responsible for the investment of the cash balances of the State in accordance with State laws, and excess cash is invested in a pooled money investment fund. Details of the investments for the pooled fund can be obtained from the State Treasurer. Idaho Code does not require collateralization of deposits. The State Treasurer carries cash, and cash equivalents, at cost.

All cash in the Fund is stated at cost. Cash invested in the State Treasurer's pooled money investment account is not subject to categorization. The carrying amount of invested cash of the Fund at June 30, 1999, is \$33,304,670, which approximates market.

**NOTE #4 –**

***LOANS RECEIVABLE***

**Extent, Nature, and Terms of Financial Instruments**

The Fund makes loans to qualified agencies for projects that meet the eligibility requirements of the Act. Loans are financed by capitalization grants, State match, and revolving funds. Stated interest rates on loans vary between 4% and 4.5% and are generally repaid over 20 years, starting within one year of project completion.

**Collateral**

At loan closing, the State receives collateral (typically a sewer revenue bond, local improvement district bond, or promissory note) from the borrower. As of June 30, 1999, the State Treasurer's Office held \$18,590,074 (at original face value) of bonds and \$7,626,054 (at original face value) of promissory notes as collateral for the Fund.

## Loans by Category

Loans receivable at June 30, 1999 are:

	Loan Authorized	Principal Repayments	Remaining Commitment	Receivable Balance
Completed Projects	\$48,770,955	\$26,831,898	\$0	\$21,939,057
Projects in Progress	<u>36,894,879</u>	<u>0</u>	<u>18,227,419</u>	<u>18,667,460</u>
Totals	<u>\$85,665,834</u>	<u>\$26,831,898</u>	<u>\$18,227,419</u>	<u>\$40,606,517</u>
Less: Amount Due within 1 Year				<u>1,250,139</u>
Loans Receivable Net of Current Maturities				<u>\$39,356,378</u>

The projected principal repayments in subsequent years are:

Year Ending June 30	Amount
2000	\$1,250,139
2001	1,735,149
2002	1,879,503
2003	2,006,485
2004	2,092,915
Thereafter	<u>31,642,326</u>
Total Loan Receivable	<u>\$40,606,517</u>

## Major Loans to Local Agencies

As of June 30, 1999, the Fund had made loans to the agencies listed below that, in aggregate, exceeded \$4 million. The outstanding balance of these loans represents approximately 65% of the total loans receivable.

Local Agency	Authorized Loan Amount	Outstanding Balance
City of Boise	\$22,306,879	\$494,194
City of Caldwell	10,000,000	3,843,176
City of Pocatello	8,622,654	3,109,936
City of Coeur d'Alene	7,963,961	6,501,574
North Lake Sewer and Water District	7,223,000	6,425,722
City of Rexburg	5,000,000	3,942,152
City of Hailey	<u>4,500,000</u>	<u>2,111,057</u>
	<u>\$65,616,494</u>	<u>\$26,427,811</u>
Totals		

The authorized loan amount includes both completed projects and projects in progress. As of June 30, 1999, principal



repayments on completed projects by the above agencies were \$24,989,638 and remaining amounts to be disbursed on projects in progress were \$14,199,045.

**NOTE #5 –**  
***INTEREST RECEIVABLE***

The interest rate on loans varies between 4% and 4.5% and is generally repaid over 20 years starting within one year of project completion. Details of loan interest receivable as of June 30, 1999 are:

Interest Received by Category	
Completed Projects	\$277,810
Projects in Progress	<u>154,616</u>
Total Interest Receivable	<u>\$432,426</u>

**NOTE #6 –**  
***INTERFUND PAYABLE***

On June 30, 1999, the Cooperative Welfare DEQ Fund was owed \$98,768 by the Clean Water State Revolving Fund program. Money from the Cooperative Welfare DEQ Fund is used to pay for administrative costs.

**NOTE #7 –**  
***CONTINGENCIES AND  
OTHER SUBSEQUENT  
EVENTS***

The Fund is exposed to various risks of loss related to torts, thefts of assets, errors or omissions, injuries to State employees while performing Fund business, or acts of God. The Fund maintains insurance (through the State Department of Administration, Bureau of Risk Management) for all risks of loss. The cost of insurance is included in the indirect costs charged to the Fund. There have not been any claims against the Fund since its inception in 1989.

Subsequent to June 30, 1999, the following events occurred: On September 23, 1999, the EPA awarded the 1999 Fund capitalization grant to the State. The grant provides \$6,577,900 (\$6,314,784 for loans and \$263,116 for Fund administration) of additional Contributed Capital from EPA and \$1,315,580 of additional contributed capital from the State.

On October 29, 1999, the City of Twin Falls signed a new loan agreement for \$8,000,000.

**NOTE #8 –**

**CONTRIBUTED CAPITAL  
AND FUND BALANCE**

The Fund is capitalized by EPA grants authorized by Title VI of the Act, and by State matching funds. All funds drawn are recorded as contributed capital from the EPA and the State. As of June 30, 1999, the EPA has awarded capitalization grants of \$69,918,415 to the State, of which \$56,578,286 has been drawn for loans and administration of the Fund. The State has provided the required matching funds of \$11,315,658. The following schedule summarizes the capitalization grants awarded by federal fiscal year, amounts drawn on each grant as of the balance sheet date, and balances available for future loan disbursements.

Year	EPA Grant Amount	Total Draws at June 30, 1998	Draws during SFY 1999	Total Draws at June 30, 1999	Balance at June 30, 1999
1989	\$4,577,200	\$4,577,200	\$0	\$4,577,200	\$0
1990	4,738,000	4,738,000	0	4,738,000	0
1991	10,343,215	10,343,215	0	10,343,215	0
1992	9,534,900	9,534,900	0	9,534,900	0
1993	9,431,000	9,431,000	0	9,431,000	0
1994	5,813,800	5,813,800	0	5,813,800	0
1995	6,007,800	4,004,049	2,003,751	6,007,800	0
1996	6,318,400	314,426	5,681,321	5,995,747	322,653
1997	6,576,800	0	136,624	136,624	6,440,176
1998	<u>6,577,300</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6,577,300</u>
Totals	<u>\$69,918,415</u>	<u>\$48,756,590</u>	<u>\$7,821,696</u>	<u>\$56,578,286</u>	<u>\$13,340,129</u>

As of June 30, 1998 and 1999, the State match contributions were:

	Total Appropriated State Match	Total Match provided at June 30, 1998	State Match provided in FY 1999	Total Match provided at June 30, 1999	Available State Match Balance at June 30, 1999
Idaho	<u>\$13,983,683</u>	<u>\$9,751,318</u>	<u>\$1,564,340</u>	<u>\$11,315,658</u>	<u>\$2,668,025</u>

**NOTE #9 –  
INFREQUENT ITEM**

On March 2, 1999, the DEQ accepted \$21,635,000 from the City of Boise for complete early extinguishment of Fund loan #1893-06, which, at the time, had a loan-receivable balance of \$22,100,000 and an interest-receivable balance of \$297,411.

Loan Receivable	\$22,100,000
Interest Receivable	<u>297,411</u>
Total Receivables	22,397,411
Less Cash Received	<u>21,635,000</u>
Infrequent Item - Loss on Early Extinguishment of Loan	<u><u>\$762,411</u></u>

At the time of early extinguishment, this loan was 39% of the loan portfolio. Early extinguishment was sought to provide available funds for future loans.



# Legislative Services Office Idaho State Legislature

---

Carl F. Bianchi  
Director

State Capitol  
P.O. Box 83720  
Boise, ID 83720-0054  
208/334-2475; Fax 334-2125

January 14, 2000

Independent Auditor's Report on Compliance and  
Internal Control Over Financial Reporting Based on  
an Audit of the Financial Statements Performed in  
Accordance with *Government Auditing Standards*

C. Stephen Allred, Administrator  
Idaho Division of Environmental Quality

We have audited the financial statements (Exhibits A, B, and C) of the Idaho Clean Water State Revolving Fund as of and for the years ended June 30, 1998 and 1999, and have issued our report thereon dated January 14, 2000. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

## Compliance

As part of obtaining reasonable assurance about whether the Idaho Clean Water State Revolving Fund's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

## Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Idaho Clean Water State Revolving Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce, to a relatively low level, the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operations

Research & Legislation  
Mike Nugent, Supervisor  
208/334-2475; Fax 334-2125

Budget & Policy Analysis  
Jeff Youtz, Supervisor  
208/334-3531; Fax 334-2668

Legislative Audits  
Larry Kirk, Supervisor  
208/334-3540; Fax 334-2125

January 14, 2000

that we consider to be material weaknesses. However, in addition to the one management item in this report, we noted other matters involving the internal control over financial reporting that we have reported to management in a separate letter.

This report is intended solely for the information and use of the Idaho Division of Environmental Quality, the U.S. Environmental Protection Agency, and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Larry Kirk, CPA  
Supervisor, Legislative Audits



# Legislative Services Office Idaho State Legislature

---

Carl F. Bianchi  
Director

State Capitol  
P.O. Box 83720  
Boise, ID 83720-0054  
208/334-2475; Fax 334-2125

January 14, 2000

Independent Auditor's Report on Compliance with  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133

C. Stephen Allred, Administrator  
Idaho Division of Environmental Quality

## Compliance

We have audited the compliance of the Idaho Clean Water State Revolving Fund with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal program for the years ended June 30, 1998 and 1999.

Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Fund's compliance with those requirements.

In our opinion, the Idaho Clean Water State Revolving Fund complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the years ended June 30, 1998 and 1999.

Research & Legislation  
Mike Nugent, Supervisor  
208/334-2475; Fax 334-2125

Budget & Policy Analysis  
Jeff Youtz, Supervisor  
208/334-3531; Fax 334-2668

Legislative Audits  
Larry Kirk, Supervisor  
208/334-3540; Fax 334-2125

---

Serving Idaho's Citizen Legislature

Internal Control Over Compliance

The management of the Idaho Clean Water State Revolving Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Fund's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with *OMB Circular A-133*.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Idaho Division of Environmental Quality, the U.S. Environmental Protection Agency, and the Idaho Legislature and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Larry Kirk, CPA  
Supervisor, Legislative Audits

# SUPPLEMENTAL INFORMATION

---

## ***SUPPLEMENTARY PROGRAM BASIS BALANCE SHEET***

A program basis balance sheet is presented as supplementary information at management's request. This balance sheet is not intended to be a presentation in conformity with generally accepted accounting principles (GAAP). The purpose of this balance sheet is to allow the reader of the financial statements an alternate picture of the total available resources and obligations of the Fund on June 30, 1998 and 1999.

The program basis sheet includes assets, liabilities, and contributed capital not shown on the GAAP balance sheet. Specifically, the program basis balance sheet includes, in assets, the amount of available federal grant and State match not actually received in cash; in liabilities, the amount of undisbursed loan commitments; and in fund equity, the total amount of awarded federal grant and State match.

Note #4 (page 17) mentions that the Fund has \$18,227,419 in remaining commitment for projects in progress in the "loans by category section." However, this amount fails to meet all the criteria for classification as a liability in accordance with GAAP. The *Statement of Financial Accounting Concepts No. 6* states: "Liabilities are probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer or provide services to other entities in the future as a result of past transactions or events." Specifically, the loan recipient must have incurred an eligible cost (prior to June 30, 1999) and then have requested a loan disbursement within a reasonable time of the balance sheet date in order to be counted as a liability according to GAAP.

Also, Note #8 (page 20) shows that the Fund had an available EPA grant balance of \$13,340,129 and State match balance of \$2,668,025. Together, they represent the very resources that management intends to use to meet the next \$16,008,154 of loan disbursements. Again, strict application of GAAP prevents the inclusion of available federal grant and State match as assets until the conditions of paragraph 3 above are met.



The primary users of the financial statements (management and EPA) often ask the following: "How much money is available for additional loans?" Management believes the following comparison of total resources against total obligations is the best starting point for that analysis.

**STATE OF IDAHO - DIVISION OF ENVIRONMENTAL QUALITY**  
**CLEAN WATER STATE REVOLVING FUND**  
**BALANCE SHEET - PROGRAM BASIS**  
**AT JUNE 30, 1998 AND 1999**

EXHIBIT D

**ASSETS**

	<b><u>FY 98</u></b>	<b><u>FY 99</u></b>
<b><u>Current Assets</u></b>		
Cash	\$8,976,211	\$33,304,670
Interest Receivable - Fund Balance	44,057	142,280
Interest Receivable - Loans	913,745	432,426
Loans Receivable	1,122,544	1,250,139
Undisbursed Federal Grant	13,494,435	13,340,130
Undisbursed State Match	2,698,887	2,668,026
Total Current Assets	<u>\$27,249,879</u>	<u>\$51,137,671</u>
<b><u>Long Term Assets</u></b>		
Interest Receivable - Loans	\$894,860	\$0
Undisbursed Federal Grant	1,090,091	0
Undisbursed State Match	218,019	0
Loans Receivable	51,776,547	39,356,378
Equipment	14,553	14,553
Accumulated Depreciation	(14,553)	(14,553)
Total Long Term Assets	<u>\$53,979,517</u>	<u>\$39,356,378</u>
<b>TOTAL ASSETS</b>	<u><u>\$81,229,396</u></u>	<u><u>\$90,494,049</u></u>

**LIABILITIES AND FUND EQUITY**

**Current Liabilities**

Accounts Payable	\$57	\$182
Payroll Payable	7,263	11,570
Indirect Payable	3,414	5,577
Due to Cooperative - DEQ Fund	5,849	98,768
Loans Payable	15,943,322	16,121,419
Total Current Liabilities	<u>\$15,959,905</u>	<u>\$16,237,516</u>

**Long Term Liabilities**

Loans Payable	<u>\$5,356,500</u>	<u>\$2,106,000</u>
Total Long Term Liabilities	<u>\$5,356,500</u>	<u>\$2,106,000</u>

**Fund Equity**

Contributions from EPA	\$63,341,115	\$69,918,415
Contributions from State	12,668,223	13,983,683
Reserve for Undisbursed Commitments	(21,299,822)	(18,227,419)
Fund Balance	5,203,475	6,475,854
Total Fund Equity	<u>\$59,912,991</u>	<u>\$72,150,533</u>
<b>TOTAL LIABILITIES AND FUND EQUITY</b>	<u><u>\$81,229,396</u></u>	<u><u>\$90,494,049</u></u>

**STATE OF IDAHO - DIVISION OF ENVIRONMENTAL QUALITY  
CLEAN WATER STATE REVOLVING FUND  
BALANCE SHEET - PROGRAM BASIS  
AT JUNE 30, 1998 AND 1999**

EXHIBIT E

	<b><u>FY 98</u></b>	<b><u>FY 99</u></b>
<b><u>Reconciliation to GAAP Balance Sheet</u></b>		
Total Assets - Program Basis	\$81,229,396	\$90,494,049
Less Undisbursed Federal Grant	(14,584,526)	(13,340,130)
Less Undisbursed State Match	(2,916,906)	(2,668,026)
Total Assets - GAAP Basis	<u>\$63,727,964</u>	<u>\$74,485,893</u>
 Total Liabilities - Program Basis	 \$21,316,405	 \$18,343,516
Less Loans Payable	(21,299,822)	(18,227,419)
Total Liabilities - GAAP Basis	<u>\$16,583</u>	<u>\$116,097</u>
 Total Fund Equity - Program Basis	 \$59,912,991	 \$72,150,533
Plus Reserve for Undisbursed Commitments	21,299,822	18,227,419
Less Undrawn Federal Grant	(14,584,526)	(13,340,130)
Less Undrawn State Match	(2,916,906)	(2,668,026)
Total Fund Equity - GAAP Basis	<u>\$63,711,381</u>	<u>\$74,369,796</u>
 Total Liabilities and Fund Equity - GAAP Basis	 <u>\$63,727,964</u>	 <u>\$74,485,893</u>